

Message Text

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PASS EXIMBANK AND PASS COMMERCE FOR CAGNE AND SIPS

EO 11652: NA
TAGS: EFIN BEXP YO
SUBJ: SUPPORT FOR MAJOR SALE OF US AGRICULTURAL EQUIPMENT

1. SUMMARY: EMBASSY RECOMMENDS THAT COMMERCE AND EXIM BANK SUPPORT EFFORTS BY REPRESENTATIVES OF US FIRMS TO SELL \$2.7 MILLION OF US AGRICULTURAL EQUIPMENT TO LARGE YUGOSLAV AGRICULTURAL ENTERPRISE, POLJOPRIVREDNI KOMBINAT BEOGRAD (PKB). TRANSACTION IS OF PARTICULAR IMPORTANCE ZDCAUSE PART OF EQUIPMENT IS DESTINED FOR AGRICULTURAL PROJECT WHICH PKB HAS CONTRACTED IN IRAQ. OBTAINING THIS ORDER WOULD BE A BREAKTHROUGH FOR US FIRMS AND LEAD TO CONSIDERABLE ADDITIONAL EXPORTS OF US AGRICULTURAL EQUIPMENT FOR THE IRAQI PROJECT. END SUMMARY.

2. AUSTRALIAN DEALER JOHAN JANUSCHKOWETZ VISITED EMBASSY DEC 30 TO PROVIDE PROGRESS REPORT ON EFFORT TO OBTAIN LARGE ORDER FROM YUGOSLAV AGRICULTURAL ENTERPRISE PKB FOR WHITE FARM EQUIPMENT. DEALER ASKED ABOUT AVAILABILITY OF USG EXPORT FINANCING.

3. SALE WOULD CONSIST OF 35 LINES OF AGRICULTURAL
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EQUIPMENT WITH A TOTAL VALUE OF \$2.7 MILLION. EACH LINE WOULD CONSIST OF: MODEL 4-180 FIELD BOSS 220 HP OBACTMR; MODEL 272 DISK HARROW; MODEL 598 FIVE-FURROW PLOW. ORDERS WOULD INCLUDE SPARES.

4. FROM EARLIER CONVERSATIONS WITH REPRESENTATIVES

OF OTHER US FIRMS, EMBASSY BELIEVES THAT INTERNATIONAL HARVESTER AND JOHN DEERE ALSO ANGLING FOR THIS ORDER, THE LATTER WOULD PROBABLY SUPPLY MUCH OF THE EQUIPMENT FROM ITS GERMAN SUBSIDIARY.

5. VALUE OF TRANSACTION ITSELF SUFFICIENTLY INTERESTING. ITS PARTICULAR SIGNIFICANCE LIES IN FACT THAT FIFTEEN OF THE THIRTY-FIVE LINES WOULD BE RESHIPPED FROM YUGOSLAVIA, AFTER TRAINING OF IRAQI PERSONNEL HERE, FOR USE ON THE \$2 BILLION AGRICULTURAL DEVELOPMENT PROJECT WHICH PKB HAS CONTRACTED NEAR BAGHDAD. THIS WOULD BE THE FIRST BREAKTHROUGH BY US FIRMS TO SUPPLY AGRICULTURAL EQUIPMENT FOR THE IRAQI PROJECT AND COULD LEAD TO SIZEABLE AMOUNTS OF ADDITIONAL EXPORTS OF US AGRICULTURAL EQUIPMENT. MOREOVER, FOR WHITE, THIS WOULD BE THEIR FIRST SALE TO ANY YUGOSLAV ENTERPRISE.

6. THE BIDDING, WHICH INCLUDES SOME EUROPEAN OFFERS, HAS PROCEEDED IN RATHER DESULTORY FASHION BUT PKB HAS NOW INFORMED SUPPLIERS THAT IT WILL REACH FINAL DECISION IN FEBRUARY. FURTHERMORE, WHILE US FIRMS ORIGINALLY APPEARED TO HAVE THE EDGE, THEY NOW FACE VERY STIFF COMPETITION FROM VOLVO. THE SWEDISH FIRM HAS STEPPED IN WITH AN OFFER OF TOTAL FIVE-YEAR FINANCING, REPORTEDLY WITH PAYMENT DEFERRED FOR THE FIRST THREE YEARS AND AN INTEREST RATE OF EIGHT PERCENT. ALTHOUGH THE VOLVO EQUIPMENT IS OF SOMEWHAT SMALLER CAPACITY THAN PKB WOULD PREFER, EMBASSY HEARS THAT THE YUGOSLAV ENTERPRISE HAS PLACED THE SWEDISH FIRM IN UNCLASSIFIED

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RAIRST RANK BECAUSE OF THE ATTRACTIVENESS OF THE FINANCING/

7. JANUSCHKOWETZ INDICATED TO EMBASSY THAT HE CAN PERHAPS PROVIDE DEALER CREDIT AMOUNTING TO UP TO FIFTY PERCENT OF THE VALUE OF THE TRANSACTION. EMBASSY PUT HIM INTO CONTACT WITH BANK OF AMERICA FRANKFURT OFFICE (ALEX YANKOVITCH) AND VIENNA OFFICE OF CHASE MANHATTAN (APPONYI). BOTH BANKERS EXPRESSED INTEREST IN ATTEMPTING TO HELP FINANCE TRANSACTION BUT DOUBTED HOW MUCH THEY COULD DO UNLESS EXIM BANK PREPARED TO HELP.

8. ACTION REQUESTED: (A) EMBASSY RECOMMENDS THAT COMMERCE TELEPHONE WHITE FARM EQUIPMENT EXPORT MANAGER WATT, OAK BROOK, ILLINOIS; BRIEF WATT ON

CURRENT SITUATION INCLUDING VOLVO COMPETITION;
URGE HIM TO STAY IN CLOSE CONTACT WITH HIS DEALER;
AND SUGGEST THAT HE APPROACH EXIM TO DISCUSS FINANCING.
AGAINST THE CONTINGENCY THAT NEITHER CHASE CET
BANK OF AMERICA MAY SUPPORT, SUGGEST YOU DIRECT WATT TO
WALKER OF US-YUGOSLAV ECONOMIC COUNCIL WHO CAN
PROVIDE NAMES OF OTHER BANKS WILLING TO FINANCE
TRANSACTIONS FOR YUGOSLAVIA. (B) EMBASSY ALSO
URGES THAT EXIM BANK SUPPORT WHITE AND OTHER US
BIDDERS WITH BEST POSSIBLE TERMS.
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